

BUSINESS PROCESS REVIEWS

A Report Prepared for the

Legislative Finance Committee

By
Greg DeWitt

June 3, 2004

Legislative Fiscal Division



www.leg.state.mt.us/css/fiscal/

INTRODUCTION

State laws direct state agencies to perform functions and provide services. These functions and services are implemented through business processes designed to satisfy the statutory requirements. A business process is the sequence of steps performed to produce a service or function. A business process could include a relatively simple process such as the steps taken to reimburse legislators for travel expenses or a more complex process like the steps taken to determine eligibility and then administer a grant program for low-income persons. The common characteristic of all business processes is that the process is a sequence of steps put together to transform a specific item into another item for a specific purpose. However, once a business process is designed and implemented, it often continues in its original or near original form. Over time, requirements and business environmental factors change. These changes could impact the efficiency and effectiveness of the business process.

Montana law contains references to duties or functions that, from an operational perspective, evaluate agency organizational structures, management practices, or functions in order to identify practices needing attention. It contains other references to duties or functions that, from an oversight perspective, evaluate and investigate agency operations for economy, effectiveness, and efficiency. Even though this research began, as indicated below, out of a concern that current law requirements could lead to information technology systems being developed for business processes that have not been verified appropriate for current business and statutory requirements, the research has identified that there is no all-encompassing formalized policy for all state business processes to be reviewed in a systematic and recurring manner. Current policy does not mandate a minimum standard for reviewing all business processes of state government on a regular basis. As such, the state may be missing opportunities to enhance efficiency and rid itself of obsolete business processes.

A formalized business process review (BPR) policy would benefit a term-limited legislature by providing a systematic way to delve more deeply into the actual business processes that provide services and functions required by state law and could enhance the legislature's ability to monitor and understand the functions of assigned agencies. With this information, the legislature may be better prepared to impact state policies and services.

At its March 2004 meeting, the Legislative Finance Committee (LFC) heard a report¹ on the proposed update of the statewide information technology (IT) strategic plan². The report stated that the state IT strategic plan identified an issue frequently encountered when developing information technology systems to support agency business processes. The statewide IT strategic plan states that reviews of business processes are often overlooked when planning for IT systems. To spend state fiscal resources to develop an IT system for a business process that hasn't been verified to be the most optimal for current laws, requirements, and business climate is a potential inefficient use of state funds. In action following presentation of the report, the committee directed staff to further evaluate the options for formalized BPRs and report the findings and options to a future committee meeting. This report documents staff findings and poses the following questions:

¹Available from the Legislative fiscal division or at the following Internet location:

http://leg.mt.gov/content/publications/fiscal/interim/financecmty_mar2004/IT_Plan_Update.pdf

² Available from the Information Technology Services Division of the Department of Administration or at the following Internet location: http://www.discoveringmontana.com/itsd/stratplan/strategic_plan_v3_31_04_v1.pdf

- Does the committee wish to continue to rely on the current law requirements for ensuring agency business processes are the most efficient and effective for current business conditions and requirements, or
- Does the committee wish to support, in concept, establishing the foundation for determining whether to formulate a more systematic and structured BPR policy?

DEFINITIONS

Business process - a collection of related, structured activities--a chain of events--that produce a specific service or product for a particular customer or customers. One example of a business process is the steps the Legislative Fiscal Division follow to document the results for the legislature of its analysis of the executive budget.

Business Process Review (BPR) - a critical analysis of existing business processes to identify opportunities to improve compliance, improve quality, reduce costs, and cut cycle time.

Performance audit – a review and analysis of state programs undertaken to determine whether the programs are: 1) achieving the intended results; 2) being conducted efficiently and economically; and 3) in compliance with related laws and regulations. These reviews result in recommendations, which, if implemented, should increase the effectiveness or efficiency of the program. Performance audits are based on a state administered program or activity. Therefore, these audits may cross agency lines.

CURRENT LAW RELATED TO BUSINESS PROCESS REVIEWS

There are several Montana laws that directly or indirectly require analysis of agency management practices. There are four primary entities charged with reviewing agency operations for efficiency and effectiveness from both the operating and oversight perspective: 1) the executive, including the Governor and department heads; 2) the Legislative Audit Committee and staff; 3) the Legislative Finance Committee and staff; and 4) other interim committees of the legislature and staff. The statutory reference for the relevant duties of each are listed below along with an explanation of the practical effects of the requirement.

THE EXECUTIVE

Statutory References

The following statutory references outline the current policy for the Governor and agencies with regard to reviewing the organization and management practices of state agencies:

- 2-7-103, MCA, states that the office of the governor shall continuously study and evaluate the organizational structure, management practices, and functions of the executive branch and of each agency.
- 2-8-105, MCA, states that each even-numbered year, the Governor may furnish the Legislative Audit Committee with a list of his recommendations for agencies and programs to be terminated and subject to a performance audit during the next biennium.
- 2-15-112, MCA, states duties of department heads are to supervise, direct, account for, organize, plan, administer, and execute the functions vested by law in the department.

Practical Implications

The above statutory references frame the duties or processes that, from an operational perspective, evaluate agency organizational structures, management practices, or functions in order to identify areas

of inefficiencies. The Governor is directed to continuously study and evaluate the organizational structure, management practices, and functions of the executive branch and of each agency. This direction takes a more global approach and does not specify a continuous review of agency business processes. The section that states department head duties implies that department heads should review agency business processes, but doesn't specifically state the requirement or minimum standards for inclusion, frequency, or reporting. The statute that allows the Governor to provide the Legislative Audit Committee with a list of agencies and programs to be terminated and subject to a performance audit during the next biennium doesn't necessarily trigger a review of each business process on a recurring basis, but only allows the Governor an opportunity to provide input to audit committee performance audit planning activities.

LEGISLATIVE COMMITTEES

Several sections of Montana law relate to the legislative oversight role over state agency organization and management practices and are the most representative of the current policy for reviewing agency business processes. Below, the legislative oversight role is discussed separately for the Legislative Audit Committee, various interim legislative committees, and the Legislative Finance Committee.

Legislative Audit Committee

Statutory References

The following statutory references outline the current policy for the Legislative Audit Committee oversight of state agency organization and management practices:

- 2-8-101, MCA, states legislative intent to establish a system of periodic evaluation of the need for and the performance of agencies or programs preparatory to termination, modification, or reestablishment. This statute also states that there exists a systematic legislative review of the need for and public benefits derived from a program or function by a periodic review and termination, modification, or reestablishment of such programs and functions.
- 2-8-102, MCA, defines a performance audit as an examination of the effectiveness of administration and its efficiency and adequacy in terms of the program of a state agency authorized by law to be performed and the conformance of expenditures with legislative intent. It further states that audits shall include an analysis of the operation of the agency, with special regard to the duplication of efforts between the audited agency or program and other agencies or programs and the quality of service being rendered
- 2-8-105, MCA, directs the Legislative Audit Committee to review a list submitted by the governor, suggestions from legislators and legislative committees, staff recommendations, and any other relevant information and compile recommendations of agencies and programs to be terminated and subject to a performance audit.
- 5-13-304, MCA, states the Legislative Auditor shall conduct a financial compliance audit of every state agency every 2 years covering the 2-year period since the last audit, unless otherwise required by state law and shall conduct a special audit whenever the Legislative Auditor determines it necessary. Besides auditing agencies for financial compliance, the Legislative Audit Division Internet web site lists a secondary objective for a financial compliance audit is to identify instances and areas where improvements to the efficiency and/or effectiveness of agency operations or a program could be made.
- 5-13-308, MCA, identifies one audit objective relevant to BPRs is to determine whether the agency is carrying out only those activities or programs authorized by the legislature and is conducting them efficiently and effectively.

Practical Implications

Legislative intent in Montana law states that there should be a system of periodic evaluation of the need for and the performance of agencies or programs. As written in statute, this system of periodic program evaluations is structured around an evaluation to determine if some or all of the agencies, programs, or rules can be terminated because the conditions causing the establishment of the agencies, programs, or rules have changed.

The system of periodic program evaluations is structured around Legislative Audit Committee recommendations and prioritization. The sources used to develop the audit committee recommendations each biennium are:

- A prioritized list voluntarily provided by the Governor
- Legislator or legislative committee recommendations
- Staff recommendations
- Legislation
- Public Request
- Any other relevant information

As such, the system doesn't trigger a review of each business process on a recurring basis. Inclusion of an agency or program on the list is primarily triggered by a concern that is elevated to the Legislative Audit Committee during its biennial planning process. The following table illustrates the number of

Performance Audit Projects Completed and In Progress by the Legislative Audit Division											
Department	Year										Total
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*	
Administration	0	0	3	0	0	2	3	2	0	0	10
Agriculture	0	0	1	0	0	0	0	0	0	0	1
Commerce	1	0	1	1	1	3	0	0	0	1	8
Corrections	1	3	1	6	1	4	1	0	2	1	20
Environmental Quality	0	2	0	1	1	3	0	0	1	1	9
Fish, Wildlife and Parks	1	1	1	3	2	2	2	3	2	1	18
Historic Society	0	0	0	0	0	0	0	0	1	0	1
Justice	0	1	1	0	1	0	0	1	2	1	7
Labor and Industry	1	1	1	2	0	0	1	0	1	2	9
Military Affairs	0	0	0	1	0	0	0	1	0	0	2
Natural Resources & Conservation	3	0	1	0	0	0	0	0	1	1	6
Other	2	1	1	3	0	2	5	3	6	4	27
Public Health & Human Services	3	4	8	3	4	5	3	4	5	6	45
Revenue	0	0	2	1	1	1	1	0	1	1	8
Secretary of State	0	0	0	0	0	0	0	1	1	1	3
Transportation	2	1	3	3	2	3	1	2	1	1	19
University System	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>10</u>
Total Performance Audit Projects	15	15	24	24	14	29	18	18	24	22	203
* Completed or in progress applies only to 2004											
Source: Legislative Audit Division											

major performance audit projects completed since 1995 and in progress for 2004. The table shows that during the ten-year period, 203 major performance audit projects have been completed or are in progress for all agencies. Some agencies have experienced only one performance audit over the entire period. Since there is no list of all state business processes, it would be difficult to identify what percent of all business processes are reviewed by the performance auditing function. However, since there were

nearly as many budgetary programs (roughly 150) as performance audits performed during the ten-year period and each program is likely to have more than one separate business process, it is assumed that the policy supported by current law provides only partial coverage. Business processes not reviewed may represent lost opportunities for improving government efficiency.

The Legislative Auditor is also required to conduct a financial and compliance audit of every state agency at least every two years and performance audits as directed by the Legislative Audit Committee. The primary purpose of a financial compliance audit is to determine if an agency's financial operations are properly conducted, if the agency has complied with applicable laws and regulations, and if the financial reports are presented fairly. A secondary purpose is more in line with BPRs and is to identify instances and areas where improvements to the efficiency and/or effectiveness of agency operations or a program could be made. While this oversight function provides a valuable system of checks and balances for the operations of state government, this function is not structured to examine all individual business processes of state government.

Interim Legislative Committees

Statutory References

The following statutory reference outlines the current policy for the various interim legislative committees for oversight of state agencies and programs:

- Title 5, Chapter 5, Part 2, MCA, states the organization and duties of interim committees of the legislature and identifies program evaluation as one duty

Practical Implications

The duty for the interim committees to evaluate programs for assigned agencies provides general direction for the interim committees, but provides no systematic structure for the committees to delve into the operations of a program other than when an issue places the spotlight on a particular component of the agency or service provided. Basically, the structure tends to force the committees to evaluate programs or functions that have stirred the interest of certain constituencies over other programs or functions of the agency. A more systematic approach structured around routine BPRs of all agency business processes might allow interim committee members to gain a more thorough understanding of the agencies and the services they provide so they are better able to monitor and adjust policies behind the agency existence.

Legislative Finance Committee

Statutory References

The following statutory reference outlines the current policy for the Legislative Finance Committee with regard to oversight of agency operations to identify opportunities to improve economy and efficiency via the duties of the Legislative Fiscal Analyst:

- 5-12-302, MCA, states one duty of the fiscal analyst is to provide for fiscal analysis of state government and accumulate, compile, analyze, and furnish information bearing upon the financial matters of the state that is relevant to issues of policy and questions of statewide importance, including but not limited to investigation and study of the possibilities of effecting economy and efficiency in state government.

Practical Implications

The reference in Montana law for the Legislative Fiscal Analyst to identify possibilities of effecting economy and efficiency in state government is one criterion guiding the office in support of analysis for the Legislative Finance Committee and is most pertinent to BPRs. However, resource limitations and other committee priorities inhibit the ability for committee staff to achieve oversight to the thoroughness that true BPRs would accomplish. The primary focus of the committee is to accumulate, compile, analyze, and furnish financial information that is relevant to issues of policy and questions of statewide importance. Information that comes out of BPRs could prove valuable for identifying opportunities for effecting economy and efficiency in state government and for aiding the committee and staff in identifying issues of fiscal policy.

FINDINGS IN BRIEF

As the above shows, there is no all-encompassing formalized process review policy for all state business processes to be reviewed in a systematic and recurring manner. There is also no list identifying all state business processes that provide services and functions required in state law. As such, the state may be missing opportunities to enhance efficiency and rid itself of obsolete business processes.

Because requirements and business climate constantly change, efficiency and effectiveness of state government might be improved by reviewing all state business processes on a regular basis to constantly align the processes to the current requirements and conditions. A BPR policy established to answer the following questions might identify the opportunities for enhancing efficiency and effectiveness of state government:

- 1) Are the steps taken, tools used, and staffing level and assignment the most appropriate to provide the required service or function to the level and quality required for the function and expected by those served?
- 2) Are any laws or requirements outdated or overly burdensome and result in excessive and costly steps that if the requirements were changed would provide efficiencies while still providing the intended service or function?

One example used in the latest update to the State of Montana Strategic Plan for Information Technology illustrates the benefits that can be gained from a BPR. The plan states that the Department of Justice went from a 53-day backlog on processing vehicle titles to no backlog by simply changing their business practices. This example illustrates just some of the benefits that could be realized from a policy of more structured and routine BPRs across state government.

COMMITTEE DECISIONS REGARDING A FORMALIZED PROCESS FOR BUSINESS PROCESS REVIEWS

The committee directed staff to further evaluate the options for formalized BPRs. The above summarizes the current policy for ensuring efficiency and effectiveness of agency business processes and some benefits for enhancing this policy so it is more systematic and structured. In order to provide this enhancement, the legislature would need to make a series of decisions. However, many unknowns exist. A list of existing state business processes is not currently available nor has one been required. Without a list of business processes, the fiscal impacts of the various legislative options cannot be determined, nor can a frequency interval for repeated reviews be recommended or the agency impacts and concerns identified. Faced with a lack of critical information to make an informed decision, the committee decision boils down to the following:

- 1) Does the committee wish to continue to rely on the current law requirements to ensure agency business processes are the most efficient and effective for current business conditions and requirements?
- 2) Does the committee wish to support, in concept, establishing the foundation for filling the information voids and then determine whether to formulate a more systematic and structured BPR policy either during this interim or the next interim?

RELY ON THE CURRENT POLICY

If the committee decides to continue to rely on the current law requirements to ensure agency business processes are the most efficient and effective for current business conditions and requirements, committee work on this item is completed, as no changes are needed and it will be relying on a policy with the following characteristics:

- Intent in law for a system of periodic evaluations of agency and program performance structured to identify agencies, programs, and rules to terminate and a system relying on biennial audits of all agencies for financial compliance and more detailed performance audits only when separately identified for review
- A generalized requirement for the office of the Governor to continuously study and evaluate organizational structure, management practices, and functions of the executive branch and of each agency. However, other than stating that studies and evaluations shall be done continuously, the requirement does not specify performing BPRs with minimum levels of inclusiveness and frequency
- A discretionary provision for the Governor to recommend agencies or programs to be terminated or considered for a performance audit
- Generalized specification of department head duties to supervise, direct, account for, organize, plan, administer, and execute the functions the department was created to provide, but that do not specify performing BPRs nor that include minimum requirements of frequency or inclusiveness for the reviews
- Existing performance audit function, assigned on a priority basis by the Legislative Audit Committee

PURSUE CHANGING THE POLICY

If the committee decides to move forward with the intent of establishing a policy more systematic and structured than current law, it will need to address the information unknowns. This would include identifying how many business processes exist in state government and quantifying the fiscal and operational impacts from the policy. Once the missing information is obtained, it would need to choose the component requirements for the policy. The committee could gather the information and choose the policy requirements during this interim or could request an interim study bill to gather the information and develop the policy requirements during the next interim.

Information Needs for Developing a More Systematic and Structured Business Review Policy

In order to make more informed decisions with regard to enhancing, through imposition of BPRs, the current policy for ensuring that agency business processes are efficient and effective, information is needed that quantifies and describes the business processes that currently exist to deliver state services and functions. In addition to a list of existing business processes, the legislature would need information that quantifies the fiscal and operating impacts from an enhanced policy on BPRs. One might assume that since one duty of a department head is to establish the internal organizational structure of the

department and allocate the functions of the department to units to promote the economic and efficient administration and operation of the department, regular BPRs are a norm and the operating and fiscal impacts would be minimal, except for any additional reporting requirements imposed by an enhanced policy. Without a clear requirement in statute to perform BPRs this assumption may prove wrong and policy enhancements could impose fiscal and operating hardships on departments.

In order to determine the fiscal and operating impacts that a systematic and structured BPR policy would impose on state government, the following information is needed for each agency for which an enhanced policy would apply:

- List of existing business processes
- Information technology systems supporting the business processes
- Agency BPR policy and practices
- Agency resources experienced in performing BPRs
- Estimate of additional costs to perform BPRs not currently being conducted
- Estimate of operational impacts to perform BPRs not currently being conducted

Policy Development Timing

Gathering the information and then developing the requirements for a more formalized BPR policy will take a considerable effort on the part of staff, agencies, and the committee. As such, the committee will need to consider the tradeoffs between proceeding with the limited time remaining during this interim to formulate a policy so it could be implemented during the next interim, or delaying development of the policy in order to get a better and more thoroughly researched policy.

Policy Components

In order to understand the complexities involved with proceeding in policy development, the committee should be aware that developing a formalized BPR policy will require that decisions be made on the following policy components regardless of when it is developed:

- To which business processes should the policy apply
- What should be the minimum requirements for the following:
 - Frequency (how often each process should be reviewed)
 - Entity responsible for performing or ensuring the reviews are performed
 - Review requirements
- How should the policy be implemented
- How should the results of BPRs be used

Recommendations on these policy components cannot be determined until the number of state business processes is known and the fiscal and operational impacts are determined. Appendix A contains a more detailed discussion of these policy components.

ISSUES AND OPTIONS

Issue 1: Does the Legislative Finance Committee wish to recommend pursuit of information gathering to potentially change the current state business process review policy?

Option 1a: No. Continue with the current policy.

Option 1b: Yes. Pursue information gathering to further explore potential changes in the policy.

Issue 2: If option 1b is chosen, does the Legislative Finance Committee wish to pursue this information gathering in this interim, or defer until the following biennium?

Option 2a: Pursue information gathering this interim with the object of submitting legislation to the 2005 legislature.

Option 2b: Defer information gathering until next biennium.

Issue 3: If option 1b is chosen, does the Legislative Finance Committee wish to recommend a formal interim study?

Option 3a: Submit legislation establishing an interim study by the legislature of a business process review policy.

Option 3b: Do not submit legislation, and direct the Legislative Fiscal Analyst to incorporate this study in the Legislative Fiscal Division work plan for the 2007 biennium.

Issue 4: If either option of issue 2 is chosen, does the Legislative Finance Committee wish to specify the policy components addressed?

Option 4a: Yes. Specify the components such as frequency of review, agencies and/or processes subject to review, reporting requirements and destinations, and expected actions as a result of the reviews.

Option 4b: No. Leave all determination of specific components to those conducting the study.

CONCLUSION

At its March 2004 meeting, the Legislative Finance Committee directed staff to research options for formalized BPRs and report the findings and options at a future committee meeting. Research has found that there is no specific requirement, outside of legislative oversight of the Legislative Audit Committee, for agencies to perform BPRs.

A formalized BPR policy that goes beyond the current requirements would benefit a term-limited legislature by allowing it a systematic way to delve more deeply, if desired, into the actual business processes that provide services and functions required by state law. With information gained for BPRs of state business processes, the legislature may be better prepared to impact state policies and services.

APPENDIX A

COMPONENTS OF A MORE SYSTEMATIC AND STRUCTURED BUSINESS REVIEW POLICY

A formalized business process review (BPR) policy more structured and systematic than the policy in current law would need to consider the following components:

- To which business processes should the policy apply?
- What should be the minimum requirements of the policy?
 - Frequency (how often each process should be reviewed)
 - Entity responsible for performing or ensuring the reviews are performed
 - Review requirements
- How should the policy be implemented?
- How should the results of BPRs be used?

Applicability

A BPR policy that is more stringent than current law could apply to all or to a subset of all state business processes. A subset of all state business processes could be defined to address an area of legislative concern or an identified issue. The following would be options worth considering for which processes should be covered by the policy:

- 1) Apply the policy to all state business processes
- 2) Apply the policy to the subset of state business processes supported by information technology systems
- 3) Apply the policy to another subset of state business processes of concern to the legislature

Apply the Process to All State Business Processes

The policy could require that all state business processes are reviewed on a regular basis to ensure the business processes provide the most efficient and effective services or functions as intended by statutory requirements. By including all state business processes in the policy, the potential exists for the highest opportunity of identifying areas of government inefficiency and therefore the highest return for the effort. However, by including all state business processes in the policy, the costs and operating impacts would also be the highest.

Apply the Process to a Subset of All State Business Processes

Establishing a BPR policy for a smaller subset of processes than all state business processes, would require establishing guidelines for determining which business processes to address with the policy. One such subset could include only business processes supported by IT systems. This would specifically address the issue identified in the statewide information technology strategic plan in which a concern was raised in developing IT systems to support business processes that have not been verified appropriate for current business requirements and conditions.

If a policy were established only for business processes supported by IT systems, it could apply to all business processes supported by an IT system or only apply under certain situations, such as:

- Require a periodic review of all such business processes supported by IT systems as part of the IT strategic planning process
- Require a BPR only as part of the planning process prior to a system upgrade or new system design for all system upgrades or new system designs regardless of size

- Require a BPR only as part of the planning process prior to a system upgrade or new system design only when an IT project cost exceeds a specified significance threshold, such as if the IT project meets the definition in the IT strategic planning requirements for a major IT initiative (meets any of the following: 1) an inter- or intra-agency business process change which requires a significant change to policy; 2) has a budget of \$300,000 or more; or 3) costs more than \$50,000 and also comprises 25 percent or more of the agency's IT budget)

Regardless of which business processes the policy applies, the policy would also need to determine the composition for the following requirements:

- Frequency of reviews
- Entity responsible for performing the reviews
- Minimum BPR content requirements
- Minimum reporting requirements

Minimum Policy Requirements

In addition to identifying which business processes to apply the policy, the following policy components should be considered:

- Frequency (how often each process should be reviewed)
- Entity responsible for performing or ensuring the reviews are performed
- Review requirements

Frequency

Laws, requirements, business environment, technology, and the needs of customers change. When a business process is first established, it may efficiently and effectively provide the statutory service or function. As time passes, it may become obsolete without continued review. Obsolescence could result in inefficiencies when a process is forced to adapt to requirement or environmental changes without being reviewed and redesigned in light of the new environment. Regular BPRs could identify opportunities to correct inefficiencies, provide a net savings of state resources, and improve services. An appropriate frequency requirement that balances the tradeoffs between benefits gained and costs to perform the reviews should be considered so the processes aren't reviewed once and then forgotten.

Entity Responsible for Process Reviews

The current policy for agency and program performance reviews focuses primarily on financial compliance and performance audits to identify instances and areas where improvements to the efficiency and/or effectiveness of agency operations could be made. The audits performed or administered by the Legislative Audit Division provide a valuable system of checks and balances. However, the Governor and department heads are ultimately responsible for the efficient provision of the state services. In identifying the entity responsible for conducting the BPRs consideration should recognize the different roles of each branch of government.

Business Process Reviews - Minimum Requirements

A BPR policy should also establish the minimum standard for completing BPRs. The actual methodology (theoretical approach) used to perform a BPR may not be as important as what components of the process are evaluated and which stakeholders are included in the review. At a minimum, components of a BPR considered during policy development should include:

- Developing and maintaining a list of all business processes in an agency
- A schedule for reviewing all business processes within an agency during the frequency determined above

- Minimum steps addressed by each BPR:
 - Review statutory requirements for the existence of the process
 - Define what the process intends to accomplish
 - Map process steps including inputs, outputs, and interactions with other processes and systems
 - Determine the resources (cost and staffing) used in the process or each step of the process
 - Include process customers and suppliers
 - Evaluate alternative processes for meeting the statutory requirements
 - Develop process performance measures and standards

Specifying in a business process review policy that agencies must compile and maintain a list of all business processes would require agencies to remain constantly aware of the processes that provide the services and functions of the agency. A schedule for when the agency anticipates completing each process review would aid the agency in prioritizing its business processes and would aid oversight organizations with scheduling. Both establishing a list and a schedule would help agencies with strategic planning efforts and would serve as information for communicating both within and outside the agency on the operation of the agency.

The various steps to be included in BPRs would serve to inform the public, legislators, other governmental entities, and oversight organizations of the agency functions. A process map and list of customers and suppliers would serve to document and illustrate the steps performed to provide agency services and functions and the relationships of the process with key stakeholders. Process resources estimates would aid in determining performance measures for monitoring process performance. Resource estimates would also provide information for agency and oversight organizations that could be used in determining impacts of changing fiscal environment. Measures and standards could aid in monitoring and predicting process performance and could aid legislators in setting policy priorities.

How Should the Policy be Implemented

Depending upon which business processes are included in the policy; it could be implemented in various ways, such as:

- As a pilot project
- Begin small and increase the number of business processes reviewed over time
- All at once across the entire population of applicable business processes

Use of Review Findings

The policy should also specify how the results from the BPRs are used. The reviews could be used by:

- Agencies to monitor and improve agency business processes
- The Governor to monitor and improve statewide organization and business processes
- The legislature to aid in the program evaluation and agency monitoring by interim committees
- The legislature to aid in fiscal planning and policy setting

A report for documenting the progress and results of agency BPRs could include all or some of the following:

- List of agency business processes
- Schedule and progress toward completing applicable business processes in accordance with the frequency directed by the BPR policy
- List of requirements the business process addresses
- List of customers or customer groups the process serves

- For business processes that have been reviewed, the results of the review and any recommended changes, complete with budget and staff resource impacts
- Recommendation of statutory changes that would improve services while maintaining the statutory intent for the service or function

A report that documents agency BPRs could be used in agency strategic planning and budgeting. The report could also aid legislative committees in evaluating agency fiscal needs, recommending and reviewing legislation, monitoring agencies and programs, and setting policy.

S:\Legislative_Fiscal_Division\LFD_Finance_Committee\LFC_Reports\2004\June\ProcessReviews_6_04.doc